

Message Text

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ACTION EUR-25

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SUBJ: GOLD FROM MOZAMBIQUE

REF: (A) LOURENCO MARQUES 558 (B) LOURENCO MARQUES 564/

1. CONCERNING RECENT CONTRETEMPS ABOUT GOLD FROM MOZAMBIQUE (SEE REF
TELS), JACINTO NUNES, NEWLY NAMED GOVERNOR OF THE BANK OF PORTUGAL,
TOLD EMBOFF THE FOLLOWING:

A. PRIOR TO ESTABLISHMENT OF TWO-TIER PRICE SYSTEM FOR GOLD,
BANK HABITUALLY PURCHASED GOLD RECEIVED BY MOZAMBIQUE IN PART PAYMENT
OF WAGES OF MOZAMBICANS WORKING IN SOUTH AFRICA. THE BANK OF PORTUGAL,

HOWEVER, HAD NO LEGAL CLAIM ON THE GOLD; I.E., MOZAMBIQUE WAS NOT
OBLIGATED TO SEND THE GOLD TO THE METROPOLE.

B. FOLLOWING ESTABLISHMENT OF THE TWO-TIER SYSTEM, THE BANK
RESISTED PLEAS OF MOZAMBIQUE THAT IT CONTINUE TO PURCHASE GOLD AS
BEFORE. THE BANK DID NOT WANT TO DO SO, BECAUSE IT FEARED CRITICISM
OF THE KIND THAT HAS IN FACT DEVELOPED; I.E., THAT BANK IS MAKING
A WINDFALL PROFIT BY PAYING FOR THE GOLD AT THE OFFICIAL RATE AT A
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TIME WHEN THE WORLD MARKET PRICE IS HIGH.

C. BANK TOLD MOZAMBIQUE THAT IT HAD NO OBJECTIONS IF AUTHORITIES THERE WANTED TO SELL GOLD ON WORLD MARKET THROUGH SWISS BANK INTERMEDIARIES. BANK WARNED, HOWEVER, THAT MOZAMBIQUE WOULD RUN THE RISK OF OFFENDING THE SOUTH AFRICANS WHO CALCULATE PAYMENTS TO MOZAMBICANS AT OFFICIAL RATE. (ACCORDING TO NUNES, THE WAGE-PAYMENT AGREEMENT WITH SOUTH AFRICA CONTAINS NO CLAUSE CONCERNING RESALES OF GOLD BY MOZAMBIQUE). FURTHERMORE, IMF MIGHT TAKE NOTE OF SALES AND INSIST THAT MOZAMBIQUE BE TREATED AS A SEPARATE MONETARY AREA RATHER THAN AS PART OF PORTUGAL SINCE IT WOULD BE ENGAGING IN ACTIVITIES NORMALLY PERFORMED BY A CENTRAL BANK.

D. FOLLOWING ESTABLISHMENT OF TWO-TIER SYSTEM, BANK HAS MADE ONLY TWO PURCHASES OF GOLD FROM MOZAMBIQUE, THE LATTER OF WHICH WAS CENTER OF RECENT PUBLICITY. BANK'S POSITION NOW IS THAT IT EITHER WANTS THE GOLD OR WANTS THE MONEY BACK THAT IT PAID FOR ITS PURCHASE. MOZAMBIQUE, HOWEVER, SAYS THAT IT DOES NOT NOW HAVE THE FUNDS TO DO THE LATTER.

2. COMMENT: JACINTO NUNES LOOKS AT THE PROBLEM MORE AS A BANKER THAN AS A POLITICIAN. IN HIS DEFENSE, HOWEVER, IT MUST BE NOTED THAT BANK OF PORTUGAL HAS NOT PRESSURED MOZAMBIQUE TO SELL IT THE GOLD. HE IS IN THE JUSTIFIABLE POSITION OF WANTING EITHER THE GOLD OR THE MONEY BACK THAT HE PAID FOR IT. FURTHERMORE THE BANK DOES NOT REAP A WINDFALL PROFIT IF THE GOLD DOES COME TO THE METROPOLE. IT WILL ONLY DO SO IF THE INTERNATIONAL RULES ARE RELAXED TO PERMIT CENTRAL BANKS TO SELL GOLD AT RATES HIGHER THAN THE EXISTING OFFICIAL RATE. (SOME (EG FINANCIER-INDUSTRIALIST CHAMPALIMAUD) HAVE SUGGESTED THAT THE BANK BUY THE GOLD AT THE MARKET PRICE AS A WAY OF PROVIDING ASSISTANCE TO MOZAMBIQUE. THE BANK HOWEVER, ACCORDING TO NUNES, CANNOT DO SO WITHOUT RUNNING AFOUL OF INTERNATIONAL RULES GOVERNING THE SALES AND PURCHASES OF GOLD BY CENTRAL BANKS.

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